that, to start, 80% of metropolitan libraries and only 35% of non-metropolitan libraries are currently connected to the Internet and that the deployment rate is 10% per year. (For schools The model assumes 50% and 25% initial penetration for metropolitan and non-metropolitan schools respectively and the same deployment rate.) The model assumes that 25% of metropolitan and non-metropolitan areas are poverty areas. The model assumes that metropolitan areas would require a level of connectivity equal to at least T1 service and non-metropolitan areas would need a level of connectivity equal to 256 kbps service. The annual TSLRIC for these services is assumed to be on average $6000/year for T1 and $3,360/year for 256 Kbps in metropolitan areas and $24,000/year for T1 and $13,440/year for 256 Kbps in non-metropolitan areas.

Based on these assumptions, the model estimates that the draw on the universal service fund for ongoing connectivity costs only[11] over 5 years would total over $300 million for libraries and $1.6 billion for schools or over $1.9 billion dollars total for both types of institutions combined.[12]

---

[11]It should be emphasized, that only data connections for Internet-type service is included in this model. Other services, for example installation for these data connections as well as long distance voice telephone service should also be discounted services and would add to the overall draw on the universal service fund for libraries and schools.

[12]The E-rate, a proposal for free access to telecommunications services for libraries and schools has also been proposed. For comparative purposes, ALA calculates the cost to the universal service fund of the E-rate for ongoing connectivity costs only over 5 years would total over $577 million for libraries and $3,574 million for schools or over $4.1 billion dollars total for both types of institutions combined.

Respectfullly submitted,

AMERICAN LIBRARY ASSOCIATION

By: Carol C. Henderson

Carol C. Henderson
Executive Director, ALA Washington Office
1301 Pennsylvania Avenue, NW Suite 403
Washington, DC 20004
202/628-8410

August 2, 1996

APPENDIX A

DOCKET# 5825 [U]
DOCUMENT# 11437 (2)

COMMISSIONERS:
DAVE BAKER, CHAIRMAN
ROBERT B. (BOBBY) BAKER
MAC BARBER
BOB BURDEN
STAN WISE

WILLIAM J. DOVER
EXECUTIVE DIRECTOR
TERRI M. LYNDALL
EXECUTIVE SECRETARY

Georgia Public Service Commission

244 WASHINGTON STREET S.W.
ATLANTA, GEORGIA 30334-5701
(404) 656-4501 OR 1-(800) 282-5813

DOCKET 5825-U

INTERIM ORDER

RECEIVED
JUN 20 1996
Executive Secretary
Ga. Public Service Commission

IN RE: Universal Service Access Fund

APPEARANCES

ON BEHALF OF THE COMMISSION STAFF:

Tom Bond, Assistant Attorney General

ON BEHALF OF CONSUMERS' UTILITY COUNSEL:

Jim Hurt, Director
Bill Atkinson, Attorney
Allison Morris, Assistant Director

ON BEHALF OF BELLSOUTH TELECOMMUNICATIONS, INC.:

The above by action of the Commission in Administrative Session on the 18th day of June 1996

Terri M. Lyndall
Executive Secretary

June 20, 1996
Date

Dave Baker
Chairman

June 20, 1996
Date

State Univer. Sys. Docket Docs. → 6 Jul 96

UNIVERSAL ACCESS FUND
DOCKET NO. 6825-U
PHASE II INTERIM CLAIM REQUIREMENTS
UNDER O.C.G.A. §46-5-167

It is clear from a full reading O.C.G.A. §46-5-160 et seq. that reasonable actual cost should be defined as incremental economic cost and not embedded accounting cost. O.C.G.A. §46-5-167(e) states that "Moneys in the fund shall be distributed quarterly to all providers of basic local exchange services upon application and demonstration that the reasonable costs as determined by the commission to proved basic local exchange services exceed the maximum fixed price permitted for such basic local exchange services." The commission may take into account the possibility that a competing local exchange company is providing or could provide lower cost basic local exchange services.

This is a clear indication that the Legislature intended the Universal Access Fund (UAF) subsidy to apply to economic cost, not embedded accounting cost. The basic local exchange services as defined by the statute and currently in effect are the linchpin services upon which all other services are based. Without dial tone access none of the other services could be sold. Therefore, a competing local exchange company would price this service incrementally so that the service would be as universally subscribed to as possible. Not only is this consistent with economic theory, it is also consistent with the universal availability of affordable advanced telecommunications network which is contained within the O.C.G.A. §46-5-160 et. seq. and the Federal Telecommunications Act of 1996. O.C.G.A. §46-5-160 et. seq. also recognizes that there are existing implicit subsidies with respect to interchange access charges. In O.C.G.A. §46-5-166, the legislature clearly intended for the intrastate access charges to be no higher than the interstate access charges. O.C.G.A. §46-5-166(f)(1) which provides for negotiated agreements, provides a mechanism for these rates to go even lower. The intent of the Georgia legislature was to phase out the implicit subsidies and replace them with an explicit subsidy through the Universal Access Fund, if needed. This interpretation is also consistent with the Federal Telecommunications Act of 1996. The FCC is taking steps, in response to the Telecommunications Act of 1996, to replace some of the implicit subsidies at the interstate level with explicit universal service fund subsidy. The Georgia legislature did not intend for this Commission to duplicate subsidies which may be received from the federal fund or existing implicit subsidies. Therefore all such subsidies will be considered a credit against the gross reasonable actual cost.

Considering the above, the Commission adopts the following interim filing requirements for submitting a claim for disbursement from the UAF under O.C.G.A. §46-5-167(e) previously quoted. The Commission shall require any alternatively regulated local exchange company seeking reimbursement from the UAF to submit the following information, which the Commission finds is reasonably necessary to determine the actual and reasonable cost of providing basic local exchange services. O.C.G.A. §46-5-167(f). Each applicant must submit a total service long run incremental cost study (TSLRIC) indicating the reasonable economic cost of providing the basic local services as defined in O.C.G.A. §46-5-160 et. seq. Local exchange companies under rate of return regulation will have their cost determined under the traditional revenue requirements model with residual pricing of the basic services.

TSLRIC shall be defined as equal to the firm's total cost of producing all of its services, assuming that the service (or group of services) in question is offered, minus the firm's total costs of producing all of its services excluding the service (or group of services) in question. The study should be forward looking and therefore consider all inputs into the production process as variable. In making this study, the assumptions behind the study should be made explicit. In addition, the estimating procedure should reflect the time period in which the resulting prices are anticipated to be in effect. The TSLRIC study would include both fixed and variable cost specific to the service (or group of services) in question. The TSLRIC for a group of services is at least equal to the sum TSLRIC for the individual services within the group. If the TSLRIC for the group is greater than this sum, the difference is equal to the shared cost attributable to the group of services [illegible]

APPENDIX B

WORLDWIDE ACCEPTANCE OF LONG RUN INCREMENTAL COSTING:

SAMPLE REFERENCES IN A GOVERNMENTAL CONTEXT

Below is a costing applications summary, which offers samples of the utilization of long run incremental costing worldwide.

The listing is hardly exhaustive given the time constraints for this set of Reply Comments (CC Docket 96-45). Casualties of that limitation are that the examples are all relatively recent (some from April 1996), and that academics have been entirely excluded (unless they are cited in a governmental context).

Contents

I. Utilization in a Legislative Context

TEXAS: Public Utility Regulatory Act of 1995, enacted by S.B. 319, 74th Legislature, 1995, Amended by H.B. No. 2128, Sec. 3.359. Infrastructure Commitment to Certain Entities.

(a)(1)

It is the intent of this section to establish a telecommunications infrastructure that interconnects public entities described in this section. The interconnection of these entities requires ubiquitous, broadband, digital services for voice, video, and data within the local serving area. The ubiquitous

nature of these connections must also allow individual networks of these entities to interconnect and interoperate across the broadband digital service infrastructure. The delivery of these advanced telecommunications services also will require collaborations and partnerships of public, private, and commercial telecommunications service network providers.

(b)(1)

(A) On customer request, the electing company shall provide broadband digital service that is capable of providing transmission speeds of up to 45 megabits per second or better for customer applications and other customized or packaged network services (private network services) to an entity described in this section for their private and sole use except as provided in Subsection (d) of this section: (ii) libraries, as that term is defined in Section 3.606 of this Act. (emphasis added).

(B) Such private network services shall be provided pursuant to customer-specific contracts at a rate that is 105 percent of the long run incremental cost, including installation, of the services. (emphasis added).

(D) An electing company shall file a flat monthly tariff rate for point-to-point intraLATA 1.544 megabits per second service for the entities specified in Subsection (b)(1)(A) of this section which shall be distance insensitive and be no higher than 105 percent of the statewide average long run incremental costs, including installation, of the service. (emphasis added).

(E) An electing company shall provided point-to-point 45 megabits per second intraLATA services when requested by an entity specified in Subsection (b)(1)(A) of this section pursuant to customer specific contracts except that the interoffice portion of the service, if any, will be recovered on a statewide average distance insensitive basis. The rate for this service shall be no higher than 105 percent of the long run incremental cost, including installation, of the service. (emphasis added).

(F) An electing local exchange company shall provide an entity described in this section with broadband digital special access service to interexchange carriers at no higher than 105 percent of the long run incremental cost, including installation, of such service. (emphasis added).

(H) The legislature finds that an entity described in this section warrants preferred rate treatment provided that any rates cover the long run incremental cost of the services provided. (emphasis added).

(I)(2) An entity receiving the services provided under this section may not be assessed special construction or installation charges. (5) On customer request by an educational institution or library in exchanges of an electing company serving more than five million access lines in which toll-free access to the Internet is not available, the local exchange company shall make available a toll-free connection or toll-free dialing arrangement for use by educational institutions or libraries in accessing the Internet in an exchange in which Internet access is available on a toll-free basis. The connection or dialing arrangement shall be provided at no charge to the educational institution or library until Internet access becomes available in the exchange of the requesting educational institution or library. The local exchange company is not required to arrange for Internet access or to pay Internet charges for the requesting educational institution or library.

(g) The commission may not consider the cost of implementing Subsection (b), (c), or (d) of this section in determining whether an electing company is entitled to a rate increase under this subtitle or increased universal service funds under Section 3.608 of this Act.

MICHIGAN: Public Act 179, as amended by 1995 PUBLIC ACT 216, MCL 484.2101 et seq. [Michigan Telecommunications Act (amended statute) PA 179; amendments (1995 PA 216) to the Michigan Telecommunications Act (1991 PA 179)]

[Definitions]

(y) "Reasonable rate" or "just and reasonable rate" means a rate that is not inadequate, excessive, or discriminatory. A rate is inadequate if it is less than the total service long run incremental cost of providing the service (emphasis added).

(ff) "Total service long run incremental cost" means, given current service demand, including associated costs of every component necessary to provide the service, 1 of the following: (I) The total forward-looking cost of a telecommunication service, relevant group of services, or basic network component, using current least cost technology that would be required if the provider had never offered the service (ii) The total cost that the provider would incur if the provider were to initially offer the service, group of services, or network component. (emphasis added).

Sec. 202.

In addition to the other powers and duties prescribed by this act, the commission shall do all of the following: (a) Establish by order the manner and form in which telecommunication providers of regulated services within the state keep accounts, books of accounts, and records in order to determine the total service long run incremental costs and imputation requirements of this act of providing a service. The commission requirements under this subdivision shall be consistent with any regulations covering the same subject matter made by the federal communications commission (emphasis added).

Sec. 304.

(7) In reviewing a rate alteration under subsection (6), the commission shall consider only 1 or more of the following factors if relevant to the rate alteration as specified by the provider: (a) Total service long run incremental cost of basic local exchange services. (emphasis added)

Sec. 304a.

(1) Upon filing with and approval of the commission, a basic local exchange provider shall restructure its for basic local exchange, toll, and access services to ensure that the are not less than the total service long run incremental cost of providing each service. (emphasis added).

(2) The provider may determine when each rate is restructured and may phase in the rate restructuring until January 1, 2000 After January 1, 2000, the provider's rates for basic local exchange, toll, and access services shall not be less than the total service long run incremental cost for each service. (emphasis added)

(4) The commission shall have 45 days from the date of a filing under this section to review the proposed rate restructuring to ensure that rates are not less than the total service long run incremental costs of the service, or that the rate restructuring brings rates that are below such costs closer to the costs. If the commission is unable to make a determination within the allowed 45 days under this subsection, the commission shall have an additional 45 days to review the rate restructuring (emphasis added)

(6) For purposes of this section and the act, providers who, together with any affiliated

providers, provide basic local exchange service or basic local exchange and toll service to less than 250,000 end-users in this state may determine total service long run incremental cost through preparation of a cost study or may determine that their total service long run incremental cost is the same as that of a provider with more than 250,000 end-users. (emphasis added).

Sec. 307.

(6) Except for a state institution of higher education, if an educational institution has excess capacity, it may sell the excess capacity subject to subsection (3) and to both of the following: (a) The amount of capacity sold shall not exceed 25% of the institution's total capacity. (b) The capacity shall not be sold below the total service long run incremental cost of the provider of basic local exchange service in the service area of the educational institution. If there is more than 1 provider in the service area, the educational institution shall use the lowest total service long run incremental cost. (emphasis added).

Sec. 308.

(1) Basic local exchange or access rates or proceeds from the sale, lease, or transfer of rate acquired assets shall not be used, directly or indirectly, to subsidize or offset the costs of other products or services offered by the provider or an affiliate of the provider by providing such other products or services at less than the total service long-run incremental cost. (emphasis added).

Sec. 319.

(1) The commission shall determine the rate that a provider of toll service is to compensate a provider of service for calls made on a payphone of the provider that utilizes the toll service and avoids customer direct compensation to the provider of the payphone service. (2) The rate of compensation determined under subsection (1) shall be based on a per-call basis and shall be at the total service long run incremental cost of providing the payphone service. (emphasis added).

(4) A provider of payphone service with less than 10,000 payphones may determine total service long run incremental cost through preparation of a cost study or may determine that their total service long run incremental cost is the same as that of a provider with more than 10,000 payphones. (emphasis added)

GERMANY: Telecommunications Act of 1996, draft, WIK April 1996 analysis, Doll & Nett.

The regulatory authority will grant a compensation to enterprises obliged to provide universal service if the obliged enterprise proves that the long-run-incremental costs of an efficient provision including a reasonable return on the capital investment exceed the revenues from the service provided. Compensations (deficits) calculated on this basis will be financed by a universal service fund (§ 20 of the draft Act). All licensees active on the relevant product market of the respective licensed telecommunications service and having a market share of at least 5% of the aggregate turnover in the Federal Republic of Germany in this market have to pay into the fund. {Pages 9-10, emphasis added}.

II. Acceptance\Application by Telecommunications Industry Entities

MAINE: Public Utilities Commission

Submission of NYNEX (New England Telephone), Docket No. 91-200, Maine Marginal Cost Study, April 6, 1992

MCS Overview {Page 1}.

> The role of the marginal cost study (MCS), from the Company's viewpoint, is to inform the development of rates. The Company believes that its rates should reflect its long-run costs; not only does this send the proper price signals to customers about the cost of various services so that they can choose correctly, but it is also a prerequisite to an efficient and fair competitive marketplace. Consequently, the Company views its MCS as a significant document that will assist in the development of rates which reflect future costs. (emphasis added).

Marginal Cost Study Description - Introduction {Page 5}

> The Company considered a variety of approaches for the methods used in the study. The Company weighed the alternatives with two major points in mind.
>
> The first point the Company kept in mind when selecting marginal cost methods was that its marginal costs are determined by the network it has in place today and the one it expects to have in the future. This led to the criterion that the marginal cost method selected should reflect the marginal costs of the Company's Maine network. Some marginal cost methodologies presume that a company should construct a network *de novo*. This presumption may or may not result in a lower marginal cost for a particular segment of the telecommunications network, but it likely does not reflect the Company's marginal costs. Therefore, the Company favored methods that reflected the Company's cost to increase its capacity to provide additional units of service using the technologies it is installing now to provide service in the future.
>
> Second, the Company favored simplicity in method over complexity when there is no significant loss of precision in the results.

CALIFORNIA : Public Utilities Commission

Docket Nos. R. 95-01-020 and R. 95-01-021, January 24, 1995

Comments of Parties {Page 33, emphasis added}

> The Coalition proposes that before a new universal service plan is implemented, the LECs first demonstrate the need for subsidized basic exchange services through appropriate total service long run incremental cost (TSLRIC) studies. [13] Second, the LECs must demonstrate that, if the need for a basic service subsidy does exist, the level of competition for basic service must pose a significant threat to the LEC's ability to fund the identified subsidy requirements. If after such a demonstration it is determined that a significant need for a basic exchange subsidy does exist, the Coalition believes that a competitively neutral universal service funding mechanism is required for the development of effective local exchange competition.

[13] The Coalition defines TSLRIC as follows: "TSLRIC means the forward-looking (economic) incremental cost to the LEC caused by providing the entire quantity of the service, network building block/component or group of network building blocks/components in question using the most efficient technology deployed most efficiently. The long run means a period long enough so that the cost estimates are based on the assumption that all inputs are variable." (Coalition's Comments, p. 3, fn. 4.)

[The Coalition was made up of a broad spectrum of parties, including consumers, interexchange carriers and alternative access providers. These included AT&T Communications of California, Inc., California Association of Long Distance Telephone Companies, California Cable Television Association, California Association of Long Distance, ICG Access Services, Inc., MCI Telecommunications, Metropolitan Fiber Systems Communications Company, Inc., Sprint, Teleport Communications Group, Time Warner AxS of California, and Toward Utility Rate Normalization (TURN).].

Proposed Universal Service Rules {Appendix A, page 109, emphasis added}.

3. Total Service Long Run Incremental Cost (TSLRIC) will serve as the measure of costs for providing basic service to residential customers. The methodology for determining the TSLRIC will be developed as part of this proceeding and the OANAD proceeding.

NORTH CAROLINA: Utilities Commission

Staff/BellSouth Telecommunications Price Regulation Stipulation, Docket No. P-55, Sub 1013, January 17, 1996

II. Definitions

E. Long Run Incremental Cost (LRIC) - The cost the Company would incur (save) if it increases (decreases) the level of production of an existing or new service or group of services. LRIC consists of costs associated with adjusting future production capacity that are causally related to the rate elements being studied. These costs reflect forward-looking technology and operational methods.

V. Pricing Rules

A. General, 7. The price for any individual rate element for any service offered by the Company shall equal or exceed its LRIC unless: (1) specifically exempted by the Commission based upon public interest considerations, or (2) BellSouth in good faith prices the service to meet the equally low price of a competitor for an equivalent service. (emphasis added).

E. New Services, 1. Prior to offering a new service, . . . the Company will file a tariff with the Commission setting forth the terms, conditions, and rates of the new service. Appropriate documentation and support related to the service category classification will be provided. Supporting documentation shall include detailed information stating the reason for assigning the new service to a particular category, detailed information concerning the LRIC of each rate element and information concerning any applicable public interest concerns. (emphasis added)

Staff/Carolina Telephone and Telegraph Company and Central Telephone Company Price Regulation Stipulation, Docket No. P-7, Sub 825, and P-10, Sub 479, January 31, 1996

Definitions

E. Long Run Incremental Cost (LRIC) - The cost the Company would incur (save) if it increases (decreases) the level of production of an existing or new service or group of services. LRIC consists of costs associated with adjusting future production capacity that are causally related to the rate elements being studied. These costs reflect forward-looking technology and operational methods.

Section 6. Pricing Rules

A. General, 6. The price for any individual rate element for any service offered by the Companies shall equal or exceed its LRIC unless: (1) specifically exempted by the Commission based upon public interest considerations, or (2) the Companies in good faith prices the service to meet the equally low price of a competitor for an equivalent service. (emphasis added).

GEORGIA: Public Service Commission

Universal Access Fund, Wood Testimony (CATV Assoc.), Docket No. 5825-U, April 5, 1996

Q. How should the "reasonable actual costs" of providing basic local exchange service be calculated?

A. In order to determine whether a subsidy exists (and to quantify any such subsidy), a Total Service Long Run Incremental Cost ("TSLRIC") should be calculated. A TSLRIC study includes all costs that are caused by the decision (or requirement) to offer the service being studied. Alternatively stated, a TSLRIC is a measure of the costs that are avoided if the service being studied is not offered. TSLRIC studies are based on forward-looking assumptions, including the assumption that the most efficient available technologies will be used. In this regard, TSLRIC is a measure of the costs that would be incurred by a firm operating in an effectively competitive marketplace to provide the service in question. In order to quantify the amount of universal service funding necessary to protect Georgia ratepayers and maintain affordable rates, the Commission should seek an answer to the question "What cost would be incurred by an *efficient* firm to provide basic local exchange service?" A TSLRIC study, if properly conducted, provides an answer to this question. {Page 9, emphasis added}

Q. What is the relevant cost to BST and other incumbent LECs to serve as a carrier of last resort [COLR]?

A. Serving as a COLR only represents a burden to an incumbent LEC when it must serve a customer or geographic area at rates that are not fully compensatory (i.e., the rates for basic local exchange service are less than the TSLRIC of providing the service). For all other customers or geographic areas, there is no cost to serve as a COLR. {Page 18, emphasis added}

Southern Bell, DR Response, LAR 3-8, Docket No. 5258-U, September 9, 1994

The long run incremental cost is a forward looking cost that includes all costs that are directly attributable to the service. the LRIC includes all costs that could be avoided if a service were not provided. The procedure for testing a price is to compare the price to LRIC. This test is

widely accepted in the economic literature . . . If the service is priced above LRIC then it is covering all of the costs that are directly attributable to the service and is making a contribution to the shared costs of the firm (emphasis added).

MARYLAND: Public Service Commission

MCI "Competition Plus" Petition, Cornell Testimony (MCI), November 20, 1995 {Page 34}.

Q. Does setting the price for BA-MD's [Bell Atlantic-Maryland] essential monopoly input functions at their direct economic (TSLRIC) costs, without any markups toward recovery of indirect costs, mean that BA-MD would not be earning a competitive rate of return on its investments for these functions?

A. No. Direct economic costs, as measured by the TSLRIC methodology, explicitly include a competitive return - - a competitive rate of profit - - on the capital invested to provide these functions (emphasis added)

EUROPEAN COMMISSION (EC)

Bell South Europe Comments, EC Liberalisaton Green Paper, March 15, 1995

II. The Need for Economically Efficient Interconnection Charges
A. Development of a Framework for Interconnection

This framework should include the setting of objectives that promote economic efficiency through effective competition. In other words, interconnection charges should:

- Reflect cost causation
- Stimulate efficiency
- Promote effective competition

BellSouth Europe supports the concept that the cost causation principle is inherent in long-run incremental costs (LRIC). Both the WIK/EAC and Arthur Anderson interconnection studies prepared for the Commission, support the cost causation nature of LRIC. {Page 4, emphasis added}.

III. Comments of Regulatory Commissions

WASHINGTON: Utilities and Transportation Commission

Docket No. UT-950200, April 11, 1996 {Page 82}

The Commission finds, consistent with the presentations of most parties that addressed cost issues,

that the appropriate measure of costs is Total Service Long Run Incremental Cost (TSLRIC), the Commission has found this measure of costs to be appropriate in prior cases. [footnote 43 omitted] Incremental costs are appropriate because they measure the additional costs that are incurred by providing an additional service. TSLRIC therefore represents the economic price floor. If the revenues from a service exceed the TSLRIC of that service, then that service is not being cross-subsidized. If the firm were to stop providing that unit, its revenues would fall by more than its costs. [44]

---

[44] Having prices exceed their respective TSLRICs is a necessary but not sufficient condition in determining whether those prices are fair, just, reasonable, and sufficient. That determination requires consideration of a much broader set of factors than the TSLRIC of the service. (emphasis added).

ILLINOIS: Illinois Commerce Commission

Implementation of Section 13-507 of the Public Utilities Act, as amended by P.A. 87-856, Docket No. 92-0211, August 17, 1994 {Page 4}

The rule adopts the definition of a new term, 'long-run service incremental cost" ("LRSIC") as opposed to the term "long-run marginal cost" which was used in the previous version of the statute. LRSIC is defined as:

> the forward-looking additional cost(s) incurred by the telecommunications carrier ("Carrier") to provide the entire output of a service, including additional resources such as labor, plant, and equipment. LRSIC does not include any costs, including common expenses, that would not be avoided if the entire output of the service were not produced.

LRSIC utilizes the concept of forward-looking costs in an effort to assure that incumbent carriers' costs are reflective of the costs that would be incurred by an efficient new entrant into the market. The underlying assumption is that a carrier's non-competitive services are not subsidizing its competitive services as long as its competitive services are priced at or above the level that a new entrant into the non-competitive market would price its services in order to cover its costs. (emphasis added)

CONNECTICUT : Department of Public Utility Control

Docket No. 94-10-0194-10-01, June 15, 1995

In past proceedings, the Department analyzed SNET performance data and cost studies and found that they generally represented the real cost for installed services and major service categories. In each instance, SNET constructed its representations to this Department using Long Run Incremental Cost (LRIC) and Fully Distributed Cost (FDC) techniques in accordance with the Department's directions. However, the Department also found that the data and studies submitted to it could be enhanced and, accordingly, their value to the ratemaking process improved. Notwithstanding that potential for improvement, LRIC studies have been the principal tool available to the Department to determine SNET's cost of providing telephone services and to price the services. {Page 9, emphasis added}.

[The Department's findings include:]
5. The TSLRIC(SNET) method can be used to examine the incremental cost of providing the total

service demand that the supplier will incur using overall least cost technology using the existing network as a starting point.

6. SNET has modified its LRIC approach to include costs it did not consider prior to the Department's order to move toward a sound economic application long run marginal costs (where all costs are considered variable). {Page 31}

Docket No. 95-06-1795-06-17, December 7, 1995

> [The DPUC has] expressed its preference, in light of Public Act 94-83, for the Total Service Long Run Incremental Cost (TSLRIC) methodology over both LRIC and FDC methodologies whenever possible in the belief that TSLRIC better demonstrates the relative impact of technological progress and competitive proficiency on current financial commitments of the sponsor. The TSLRIC methodology represents a modification of the LRIC approach by utilizing total demand for a service as the base for calculating the incremental cost of addition, replacement or enhancement to the service. This produces a forward-looking cost similar to the LRIC methodology, but reduces some of the economic distortions that might otherwise emerge using a narrower base of analysis. {Page 12, emphasis added}.

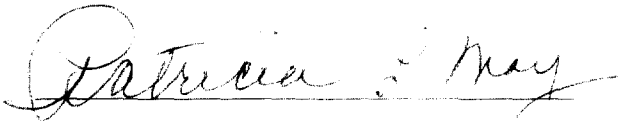
AUSTRALIA: Australian Telecommunications Authority (Austel)

Annual Report 1991-1992, Chapter Two: Competition Issues

> We are in the process of acquiring econometric modeling tools to be used to derive costs associated with different parts of the Australian telecommunications network. The acquisition of the models follows an identified need to have the ability to undertake econometric analysis when examining . . . the floor price of telecommunications products or services in cases where we are investigating alleged cross-subsidisation . . . The econometric models acquired have been developed over many years by Bell Communications Research (Bellcore). The Network Cost Analysis Tool (NCAT) model will take into account both the capital and operating costs of delivering services. The NCAT model has a forward-looking orientation. It examines the long-run costs of service provision, including the cost of future investments resulting from increases in demand for services. . . . The models will also be invaluable in assisting our work in performance monitoring and assessment of the carriers' activities against international best practice. {Page 16, emphasis added}

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of August, 1996 a copy of the foregoing "Comments of American Library Association on Questions in Public Notice of July 3, 1996" was sent via first class mail, postage prepaid, to the parties on the attached list.



Patricia L. May

*Via hand delivery

*The Honorable Reed E. Hundt, Chairman
Federal Communications Commission
1919 M Street, NW Room 814
Washington, DC 20554

*The Honorable Rachelle B. Chong, Commissioner
Federal Communications Commmission
1919 M Street, NW Room 844
Washington, DC 20554

*The Honorable Susan Ness, Commissioner
Federal Communications Commission
1919 M Street, NW Room 832
Washington, DC 20554

*The Honorable Julia Johnson, Commissioner
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

The Honorable Kenneth McClure, Vice Chairman
Missouri Public Service Commission
301 W. High Street, Suite 530
Jefferson City, MO 65102

The Honorable Sharon L. Nelson, Chairman
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

The Honorable Laska Schoenfelder, Commissioner
South Dakota Public Utilities Commission
500 E. Capital Avenue
Pierre, SD 57501

Martha S. Hogerty
Public Counsel for the State of Missouri
P.O. Box 7800
Harry S. Truman Building, Room 250
Jefferson City, MO 65102

Deborah Dupont, Federal Staff Chair
Federal Communications Commission
2000 L Street, NW, Suite 257
Washington, DC 20036

Paul E. Pederson, State Staff Chair
Missouri Public Service Commission
P.O. Box 360
Truman State Office Building
Jefferson City, MO 65102

Eileen Benner
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

Charles Bolle
South Dakota Public Utilities Commission
State Capital, 500 E. Capital Avenue
Pierre, SD 57501-5070

William Howden
Federal Communications Commission
2000 L Street, NW, Suite 812
Washington, DC 20036

Lorraine Kenyon
Alaska Public Utilities Commission
1016 West Sixth Avenue, Suite 400
Anchorage, AK 99501

Debra M. Kriete
Pennsylvania Public Utilities Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Clara Kuehn
Federal Communications Commission
2000 L Street, NW, Suite 257
Washington, DC 20036

Mark Long
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gerald Gunter Building
Tallahassee, FL 32399-0850

Samuel Loudenslager
Arkansas Public Service Commission
P.O. Box 400
Little Rock, AR 72203-0400

Sandra Makeeff
Iowa Utilities Board
Lucas State Office Building
Des Moines, IA 50319

Philip F. McClelland
Pennsylvania Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Michael A. McRae
D.C. Office of the People's Counsel
1133 15th Street, NW, Suite 500
Washington, DC 20005

Rafi Mohammed
Federal Communications Commission
2000 L Street, NW, Suite 812
Washington, DC 20036

Terry Monroe
New York Public Service Commission
Three Empire Plaza
Albany, NY 12223

Andrew Mulits
Federal Communications Commission
2000 L Street, NW, Suite 257
Washington, DC 20036

Mark Nadel
Federal Communications Commission
1919 M Street, NW, Room 542
Washington, DC 20554

Gary Oddi
Federal Communications Commission
2000 L Street, NW, Suite 257
Washington, DC 20036

Teresa Pitts
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Jeanine Poltronieri
Federal Communications Commission
2000 L Street, NW, Suite 257
Washington, DC 20036

James Bradford Ramsay
National Association of Regulatory Utility
Commissioners
1201 Constitution Avenue, NW
Washington, DC 20423

Jonathan Reel
Federal Communications Commission
2000 L Street, NW, Suite 257
Washington, DC 20036

Brian Roberts
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

Gary Seigel
Federal Communications Commission
2000 L Street, NW, Suite 812
Washington, DC 20036

Pamela Szymczak
Federal Communications Commission
2000 L Street, NW, Suite 257
Washington, DC 20036

Whiting Thayer
Federal Communications Commission
2000 L Street, NW, Suite 812
Washington, DC 20036

Deborah S. Waldbaum
Colorado Office of Consumer Counsel
1580 Logan Street, Suite 610
Denver, CO 80203

Alex Belinfante
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

Larry Povich
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554